



Treasury Inspector General for Tax Administration

FISCAL YEAR 2007 STATUTORY AUDIT OF COMPLIANCE WITH LEGAL GUIDELINES RESTRICTING THE USE OF RECORDS OF TAX ENFORCEMENT RESULTS

Issued on March 20, 2007

Highlights

Highlights of Report Number: 2007-40-055 to the Internal Revenue Service Deputy Commissioner for Operations Support.

IMPACT ON TAXPAYERS

Section 1204 of the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 requires the IRS to ensure managers do not evaluate employees using any record of tax enforcement results or base employee successes on meeting arbitrary production goals and quotas. Based on the results of our sample, the IRS' efforts to enforce the employee evaluation requirements under Section 1204 are generally effective and are helping to protect the rights of taxpayers.

WHY TIGTA DID THE AUDIT

This audit was initiated because TIGTA is required under Internal Revenue Code Section 7803(d)(1) (2000) to annually evaluate whether the IRS is in compliance with restrictions on the use of enforcement statistics under RRA 98 Section 1204.

- Section 1204 (a) prohibits the IRS from using any record of tax enforcement results to evaluate employees or to impose or suggest production quotas or goals.
- Section 1204(b) requires that employees be evaluated using the fair and equitable treatment of taxpayers as a performance standard.
- Section 1204(c) requires appropriate supervisors to self-certify quarterly whether tax enforcement results were used in a prohibited manner.

WHAT TIGTA FOUND

The IRS first-line managers sampled complied with the provisions of Section 1204. Specifically, the first-line managers sampled had not used records of tax enforcement results or production quotas or goals when evaluating their employees, had appropriately evaluated employees on the fair and equitable treatment of taxpayers, and had appropriately certified that they had

not used records of tax enforcement results in a prohibited manner.

TIGTA made this assessment based on a judgmental sample of 60 first-line managers and 180 of their employees located in 12 cities. For the 180 employees, TIGTA reviewed performance reviews and award documentation to determine whether records of tax enforcement results were used when evaluating the employees' performance. In addition, TIGTA examined a sample of quarterly self-certifications for the 60 first-line managers to determine compliance with the self-reporting requirement. The first-line managers sampled worked for the Small Business/Self-Employed Division; the Wage and Investment Division; the Large and Mid-Size Business Division; the Tax Exempt and Government Entities Division; the Office of the Chief, Appeals; and the Office of the National Taxpayer Advocate.

WHAT TIGTA RECOMMENDED

There were no recommendations made as a result of this audit. IRS management reviewed the draft report and provided their concurrence with its contents via email.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full IRS response, go to:

<http://www.treas.gov/tigta/auditreports/2007reports/200740055fr.pdf>.

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